

Message Text

CONFIDENTIAL

PAGE 01 BRUSSE 03509 282036Z

67-S

ACTION EUR-25

INFO OCT-01 DRC-01 ISO-00 SP-03 EB-11 INR-10 SS-20 NSC-07

NSCE-00 TRSE-00 COME-00 AGR-20 STR-08 SSO-00 INRE-00

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O R 281810Z MAY 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 923

INFO AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUCEMBOURG

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS IMMEDIATE

ZNE/USMISSION EC BRUSSELS

C O N F I D E N T I A L BRUSSELS 3509

E. O. 11652: GDS

TAGS: ETRD, EEC, BE

SUBJECT: ARTICLE XXIV: ARTICLE XXIV:6

REF: BRUSSELS 3213

1. CHARGE, ACCOMPANIED BY ACTING CHIEF ECONOMIC SECTION, CALLED ON FONMIN CHEF DE CABINET P. NOTERDAEME AND HIS ASSOCIATE THYSBAERT, MAY 28 TO DISCUSS OUTCOME OF FONMIN DIRECTOR GENERAL DAVIGNON'S MEETING WITH MINISTER OF ECONOMICS OLEFFE MAY 27 ON ARTICLE XXIV:6 (DAVIGNON IS IN BONN). NOTERDAEME REPORTED THAT AFTER REVIEWING COMPANIES' ASSURANCES, OLEFFE FOUND THEM LESS THAM FULLY CONVINCING (A VIEW SHARED BY THE MINISTRY OF FOREIGN AFFAIRS). FOR EXAMPLE, IN WABCO'S STATEMENT, CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BRUSSE 03509 282036Z

THE WORDS "UNDER THE PRESENT CIRCUMSTANCES" COULD BE

TAKEN TO MEAN THAT A LOWERING OF THE TARIFF WOULD CONSTITUTE A CHANGE IN THESE CIRCUMSTANCES, LEAVING THE COMPANY THEN FREE TO CHANGE ITS PRODUCTION PLANS. BELGIANS WERE ALSO UNHAPPY THAT THE WABCO GUARANTEES HAD COME FROM LOCAL SOURCES, RATHER THAN FROM THE AMERICAN HEADQUARTERS.

2. NOTERDAEME STATED, HOWEVER, THAT THE ASSURANCES HAD BEEN HELPFUL AND THAT GOB COULD NOW TAKE A MORE "ELASTIC VIEW" DURING THE LAST ROUND OF NEGOTIATIONS. THEY STILL SEEK SOME FURTHER GESTURE ON THE US SIDE, HOWEVER, IN ORDER TO REACH AGREEMENT. THEY WOULD BE SATISFIED FOR US TO CHOOSE AMONG THE ITEMS, I. E., OUT-BAAAAA, DUMPERS AND SCRAPERS AS TO WHERE THIS "GIVE" SHOULD COME. THEIR OWN PREFERENCE WOULD BE FOR THE CUT-OFF ON OUTBOARD MOTORS TO BE "REFORMULATED" AS 25 HORSEPOWER (WHICH ACCORDING TO OUR INFORMATION FROM LOCAL INDUSTRY WOULD BE APPROXIMATELY 360 CC RATHER THAN 250 CC AS PRESENTLY STATED). NOTERDAEME SAID THAT THE GOB WOULD VERY MUCH LIKE TO FINISH THESE NEGOTIATIONS THIS WEEK AND AVOID AN APPEAL TO THE COUNCIL OF MINISTERS. HE AND THYSBAERT STRESSED THAT OF THE 20 OR SO ITEMS NOW ON THE LIST, FIVE OF THEM BORE EITHER EXCLUSIVELY OR MAINLY ON BELGIUM, THAT THESE ITEMS HAD BEEN ADDED TO PERMIT EASING OF THE PACKAGE FOR OTHER EC MEMBERS AND THAT THE BELGIANS WERE NOT HAPPY WITH THIS SITUATION.

3. CHARGE' POINTED OUT TO NOTERDAEME THAT IT WAS IMPOSSIBLE FOR ANY BUSINESSMAN TO MAKE AN IRONCLAD GUARANTEE OF EMPLOYMENT LEVELS EVEN APART FROM TARIFF AGREEMENTS AND THAT THE ASSURANCES WHICH HAD BEEN PRODUCED AT GREAT EFFORT BY WASHINGTON AND THE EMBASSY, TWO OF WHICH HAD COME FROM THE CORPORATE HEADQUARTERS IN THE UNITED STATES, WERE VERY FORTHCOMING AND FAR-REACHING UNDER THE CIRCUMSTANCES. HE NOTED THAT WE HAD BEEN DOWN THIS ROAD ONCE BEFORE, WHEN WE WERE TOLD THAT BELGIUM NEEDED ASSURANCES FROM THE U. S. COMPANIES TO FACILITATE THE AGREEMENT. NOW THAT THE ASSURANCES HAD BEEN PROVIDED WE ARE BEING ASKED TO MAKE ADDITIONAL

CONFIDENTIAL

PAGE 03 BRUSSE 03509 282036Z

CONCESSIONS AND THERE HAD AS YET BEEN NO SIGN OF THE SHIFT IN BELGIAN POSITION THAT WE HAD BEEN LED TO EXPECT. HE ALSO POINTED OUT THAT THE TARIFF REDUCTIONS WHICH ARE IN QUESTION COULD ONLY HAVE MINIMAL ECONOMIC EFFECT. HE EMPHASIZED THE URGENCY OF COMING TO AGREEMENT THIS WEEK. THE CHARGE STATED WE WOULD EXAMINE FURTHER WHETHER ANYTHING COULD BE DONE TO MAKE ONE OF THE ITEMS MORE PALATABLE BUT HELD OUT LITTLE HOPE OF A CHANGE FROM THE

250 CC TO 25 HP. HE ALSO PINNED DOWN THAT A STRENGTHENING OR INTERPRETATION OF THE ASSURANCES WOULD BE HELPFUL TO OLEFFE IF NO CHANGE IS POSSIBLE ON THE ITEMS. THE CHARGE ALSO REQUESTED THAT THE BELGIANS, IN LINE WITH EARLIER UNDERSTANDINGS, BE PREPARED TO APPROVE THE PRESENT PACKAGE, AS IS, IF THE U. S. UNABLE TO FIND FURTHER FLEXIBILITY.

4. COMMENT: EMBASSY INTERPRETS NOTERDAEMS'S PRESENTATION TO MEAN THAT ANY FRUTHER MOVE IN BELGIAN DIRECTION--EVEN IF MAINLY OPTICAL--WOULD CLINCH BELGIAN AGREEMENT TO PACKAGE. BELGIANS ARE OBVIOUSLY TRYING TO OBTAIN WHATEVER LAST-MINUTE IMPROVEMENT MIGHT BE EXTRACTED, BUT ARE SINCERE IN BELIEVING CURRENT PROPOSAL REQUIRES CONCESSIONS FROM THEM DISPROPORTINATE TO THOSE OF OTHER EC PARTNERS. EMBASSY RECOMMENDS CONSIDERATION OF SOME FURTHER SMALL GESTURE TO BELGIANS, ALTHOUGH POSSIBILITY OF THEIR AGREEING WITHOUT THIS NOT COMPLETELY RULED OUT.
BOOCHEVER

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